

21 OCT 1981

MEMORANDUM FOR: Deputy Director for Administration

FROM:

Acting Director of Logistics

SUBJECT: Restricted Procurement

REFERENCES:

- A. Request for Procurement Services (2420)
approved by DD/P/ODP 1 October 1981
- B. Memorandum for C/ADP/PD/OL from
C/SEB/ED/P/ODP, dated 18 Sept. 1981,
Subject: ODP Computer System Procurements
for FY 82
- C. National Advanced Systems Corporation
"Advanced Systems (AS) Series Overview"
Auerbach Publishers Inc. dated 26 May 1981
- D. Equipment Schedule
- E. Automatic Data Processing Equipment and
Services Certification and Procurement
Checklist, dated 2 October 1981

1. The Office of Data Processing (ODP), per the referents, has identified a need for the installation of three new computer systems over the next twelve-month period. To satisfy requirements for the first system, ODP intends to obtain a Central Processing Unit (CPU) in November 1981 to accommodate its batch processing functions. ODP has identified an IBM 3081 as the only system currently available which will meet its need for domestic equipment. ODP intends to lease this system for a two-year period at a cost of approximately \$3 million.

2. National Advanced Systems (NAS) of Palo Alto, California, a subsidiary of National Semiconductor Corporation (NSC) of Santa Clara, California, markets an IBM plug-compatible alternative, the AS 9000, to the IBM 3081. VION, a domestic small-business corporation, markets NAS products, including the AS 9000, to the Federal Government. ODP states that this machine is unacceptable in that it is not of domestic manufacture. Available information indicates this system is manufactured in Japan by Hitachi.

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3. Chief, Procurement Management Staff, Office of Logistics (C/PMS/OL) is currently leading a task force which is addressing the larger issue of foreign manufactured equipment. Although much information has been brought to the fore, no firm conclusions have been reached nor policies proposed which would resolve the issue for the instant procurement. Given the various considerations relating to security, technology and other factors, it does not appear likely that a clear statement of Agency policy will be developed and adopted in a time and manner having relevance for the acquisition proposed.

4. In view of the above, there are two differing courses of action available:

a. Execute the attachment which reflects the exercise of non-delegable authority of the head of the Agency to negotiate a contract not to be publicly disclosed. This action will result in the selection of the IBM 3081 to accommodate the needs of ODP in November 1981; or

b. The second alternative, assuming the AS 9000 satisfies ODP's technical requirements, is to attempt to solicit purchase information from the supplier(s) on an ostensible commercial basis. This course would preclude any foreign country's knowledge of CIA interest in the equipment. This course does not eliminate the possibility that Original Equipment Manufacturer (OEM) design engineering personnel may be needed in the event of equipment failure. We are not in a position to determine the probability of such an occurrence.

5. If a determination is made that security considerations dictate the award of a contract to IBM on a sole-source basis, there is likely to be a severe negative reaction from AS 9000 vendors and possible inquiry from oversight activities. At this time, no communication from this office has been made to any AS 9000 supplier concerning this requirement. Post award cognizance by these vendors will exacerbate their basis of complaint.

6. Given the severe time constraint required to satisfy ODP's requirement of a November 1981 installation, it is my recommendation that the Deputy Director for Administration approve an interim sole-source procurement of an IBM 3081 CPU based on the attached Determination and Findings for a period not to exceed two years.

Att

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Approved For Release 2005/12/14 : CIA-RDP84B00890R000200060010-1
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APPROVED:

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Deputy Director for Administration

16 NOV 1981

Date

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